



# Monthly Economic Update

## May 2002



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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.co.mo.md.us/services/finance> For questions, please call (240) 777-8887

- **Interest Rates.** Even though mortgage interest rates have risen slightly from the 30-year lows reached last fall, they remain near their historic lows. Currently, fixed rate mortgages are just over 7% compared to rates in the mid-6% observed last year. However, in contrast to the modest rise in fixed rates, adjustable rates continue to decrease, pushing the share of adjustable rate mortgages from a 10% share last April to nearly 20% one year later.

The low cost of financing continues to fuel the real estate market for existing homes, secondary homes, and construction of either new homes or major alterations of existing homes. Moreover, the sharp rise in home equity accumulated over the past few years, combined with low financing costs associated with record-low prime interest rates, has allowed many homebuyers to take out their "home wealth" and improve their existing home through a home-equity line of credit.

- **Homeownership.** The Washington MSA passed the nation in terms of homeownership for the first time in 2001. This reflects a sharp improvement in the region's homeownership rate that jumped from 60.2% in 1986 to 69.5% last year. Similar to the national trend, homeownership in Maryland jumped to a record 70.7% in 2001.

The highest homeownership is in the state of Michigan (77.1%) and the lowest in the District of Columbia (42.7%). This is consistent with the Census Bureau survey that finds that the highest homeownership is found outside metropolitan areas and in the Midwest. Another important finding from the study is that homeownership continues to improve for all racial and ethnic categories in the country. In Montgomery County, the homeownership rate increased from 67.9% in 1990 to 68.7% in 2000.

- **Real Estate.** Even though the County's residential market has slowed recently in terms of numbers of sales, representing 3.8% growth in the first four

months of this year, increasingly more expensive houses pushed up the dollar sales volume to an 18.7% growth rate through April 2002.

Growth in the number of existing homes sold in the County is considerably below the 8.8% growth rate for the nation as a whole. However, in contrast to the robust existing homes sold in the country, new home sales declined 2.8% through April 2002. Moreover, while new home sales declined in all regions of the country, it was most significant in the Northeast (-7.2%) – a region that declined also in the two prior years. Growth of new and existing home sales nationwide shows that there is only a modest 1% increase in residential real estate activity.

Measured by the County's transfer tax collections, the commercial real estate market between July 2001 and April 2002 is down 48% in the number of projects sold, with only modest growth (1.3%) in the total value.

- **Construction.** The number of residential building permits in the County jumped 26.3% through April 2002, more than double the growth statewide (10.5%) and dwarfing the national trend (3.0%). The number of non-residential building permits in the County increased 5.4% through April.

While growth in the number of projects or units is important, from both an economic and tax revenue point of view, the value is more important. The value, in the case of Montgomery County, shows that residential new construction is actually down 8% for single-family houses through April 2002. Moreover, the modest 1% overall residential growth is entirely due to construction of new apartments (54%), and explains the jump in the number of total residential building permits (measured by units).

The value of non-residential construction through April 2002 increased sharply from \$167 to \$304 million, due to a combination of a stronger commercial sector (19%) and a six-fold increase in new laboratory construction.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2001
				2002	2001	
Leading Indicators						
National	April	-0.4%		2.9%		2.5%
Washington MSA	March	1.8%		-0.5%		-0.9%
Consumer Confidence Index						
National	May	1.2%		-8.1%		-26.4%
South Atlantic Region	May	-1.5%		-8.7%		-23.9%
Consumer Price Index						
All Items						
National	April	1.6%		1.3%		2.9%
Washington - Baltimore CMSA	March	2.0%		1.9%		2.6%
Core CPI						
National	April	2.5%		2.5%		2.7%
Washington - Baltimore CMSA	March	3.0%		3.0%		3.1%
Retail Trade						
National (sales)	April	4.5%		3.4%		3.7%
Maryland (tax)	March	3.7%		0.1%		3.0%
Montgomery County (tax)	March	3.1%		-0.2%		3.8%
Employment						
National	April	141,886,000	141,073,000	141,277,750	141,777,250	135,073,000
- Percent Change		0.6%		-0.4%		-0.1%
Washington PMSA (at place)	March	2,780,200	2,779,900	2,771,700	2,760,900	2,831,800
- Percent Change		0.0%		0.4%		2.8%
Montgomery County (resident)	March	482,488	474,446	480,128	473,022	477,701
- Percent Change		1.7%		1.5%		0.8%
Montgomery County (payroll)	Sep. 2001	449,512	455,719	447,989	444,528	447,744
- Percent Change		-1.4%		0.8%		4.9%
Unemployment						
National	April	5.7%	4.2%	6.1%	4.5%	4.8%
Maryland	March	5.1%	3.7%	5.1%	4.0%	4.1%
Washington PMSA	March	3.8%	2.5%	3.8%	2.5%	2.7%
Montgomery County	March	3.1%	1.9%	3.1%	1.9%	2.3%
Construction						
Project Cost - Montgomery County						
Total (\$ thousand)	April	\$119,761	\$46,149	\$464,705	\$325,422	\$1,353,664
- Percent Change		159.5%		42.8%		15.4%
Residential (\$ thousand)	April	\$24,812	\$30,992	\$160,831	\$158,511	\$682,768
- Percent Change		-19.9%		1.5%		17.2%
Non-Residential (\$ thousand)	April	\$94,949	\$15,157	\$303,874	\$166,911	\$670,896
- Percent Change		526.4%		82.1%		13.6%
Building Permits (Residential)						
National	April	154,493	142,963	533,363	517,635	1,610,766
- Percent Change		8.1%		3.0%		1.2%
Maryland	April	2,533	2,101	9,406	8,509	28,412
- Percent Change		20.6%		10.5%		-6.4%
Montgomery County	April	351	260	1,517	1,201	5,091
- Percent Change		35.0%		26.3%		13.8%
Building Permits (Non-Residential)						
Montgomery County	April	193	167	628	596	2,102
- Percent Change		15.6%		5.4%		23.9%
Real Estate						
National						
Sales	April	5,790,000	5,290,000	5,790,000	5,320,000	5,296,000
- Percent Change		9.5%		8.8%		2.8%
Median Price	April	\$153,300	\$143,100	\$151,600	\$140,600	\$147,800
- Percent Change		7.1%		7.8%		6.3%
Montgomery County						
Sales	April	1,231	1,212	4,121	3,971	15,489
- Percent Change		1.6%		3.8%		4.8%
Average Price	April	\$300,121	\$260,550	\$292,305	\$255,526	\$274,522
- Percent Change		15.2%		14.4%		8.1%
Median Price	April	\$240,000	\$195,900	\$231,500	\$191,475	\$215,000
- Percent Change		22.5%		20.9%		13.2%